

CIRCA ENTERPRISES INC.:

NEW DIMENSIONS FOR GROWTH

1994 ANNUAL REPORT

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

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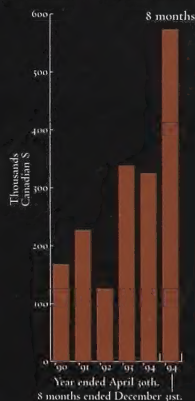
8 Months Ended
December 31, 1994

Year Ended
April 30, 1994

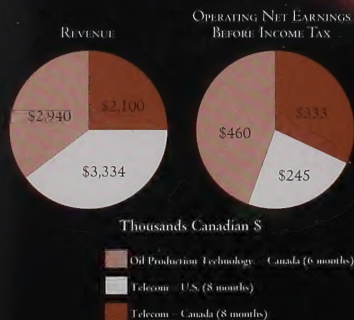
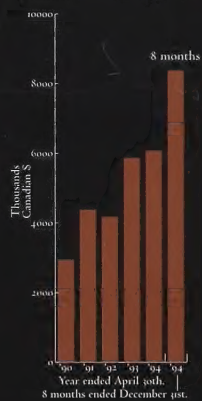
Revenue		
Telecom	\$ 5,434	\$ 6,076
Oil Production		
Technology	2,940	—
	<u>\$ 8,374</u>	<u>\$ 6,076</u>
Gross Profit	\$ 2,537	\$ 1,423
Administrative Expense	1,377	816
Consolidated		
Net Earnings	573	325
Cash Flow from Operations	726	442
Gross Profit as		
% of Revenue	30.30%	23.42%
Net Earnings as		
% of Revenue	<u>6.84%</u>	<u>5.35%</u>
Fully Diluted Earnings		
per share	\$ 0.07	\$ 0.05
Net Book Value		
per share	\$ 0.40	\$ 0.30
Shares Outstanding at		
Year-end	<u>8,390,650</u>	<u>7,071,150</u>
Working Capital	\$ 2,029	\$ 1,622
Current Ratio	2.21	3.83
Capital Assets	\$ 854	\$ 531
Total Assets	<u>\$ 5,224</u>	<u>\$ 2,856</u>



CONSOLIDATED NET EARNINGS



CONSOLIDATED GROSS REVENUE





Ivan W. Smith
President & Chief Executive Officer

“Circa prides itself on its contribution to the community. The company provides employment for approximately ninety employees at all levels in Alberta and Florida. Circa also provides meaningful, productive employment in its Calgary manufacturing plant for a number of individuals with developmental disabilities.”

On behalf of the shareholders, I would like to express appreciation to our employees, all of whom were vital in making 1994 such a successful year for Circa. Circa's position of strength is directly attributable to their talents and dedication.

The theme for this year's annual report, *New Dimensions for Growth*, embodies a new vision for Circa and its subsidiaries for 1994 and beyond. This vision entails Circa building upon its position of financial, customer and engineering strength to internally expand its technical products and markets. Decisions regarding new product development will be driven by the needs of our excellent customer base. By marketing a wider array of products to these customers, Circa will achieve a prudent means of expanding revenue and profit while increasing product and market diversification. Further, Circa will consider acquisitions which have the potential to provide synergies within the telecom industry. Such synergies would likely include expansion of Circa's product lines or increasing its U.S. market presence.

Eight months of accomplishment

Circa experienced significant change and accomplishment during the eight months ended December 31, 1994. The year end of the Company was changed from April 30 to December 31 to facilitate corporate comparability and investors' understanding of Circa. Canadian and U.S. market penetration of our surge

protection and related equipment for the telecom industry increased. A portion of this increase was attributable to the renewal of Circa's supply contract with BC Tel.

Circa successfully completed the acquisition of Tri-Ener-Tech Petroleum Services Ltd. on June 30, 1994. This acquisition provided Circa with the opportunity to expand its communication technology expertise while establishing participation in the developing market of oil production automation and digitization.

Overall, revenues for the eight months exceeded the prior full year's by 37.8%. Earnings per share for the eight months were \$0.07 per share as compared to \$0.05 per share for the full year ended April 30, 1994. Through this period of growth, the financial position continued to be very strong. Working capital increased to \$2,028,589, while long term debt remained negligible.

A position of strength

The platform for Circa's *New Dimensions for Growth* is comprised of its:

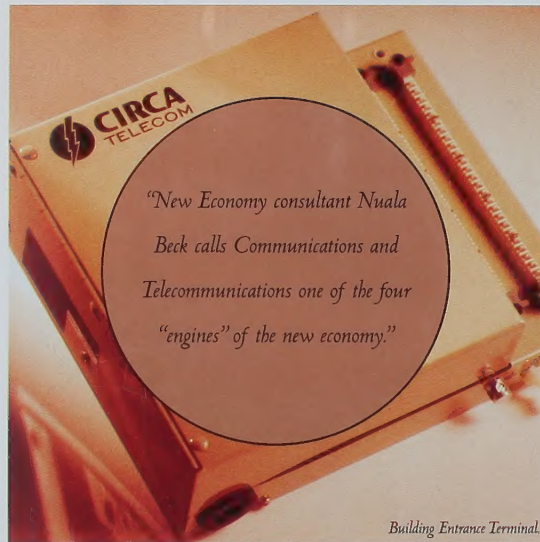
- strong financial position;
- participation in advancing industries and technologies;
- excellent customer base; and,
- talented staff.

The telecommunication industry is exploding with opportunity brought upon by technological change. The information highway is quickly becoming a reality and Circa intends to evolve its products in anticipation of this change. Within the telecommunication industry, Circa enjoys an excellent and expanding reputation. The Company's Canadian customer base continues to expand and now includes most major Canadian Telcos. Such market dominance has been obtained through Circa's excellence in quality, flexibility, price and expertise. While a small player in the U.S. marketplace, Circa is gaining an enviable reputation for its expertise and market responsiveness.

Tri-Ener-Tech is at the forefront of oil production assessment and technology and enjoys a dominant position within its markets. Its talented staff possess an array of technical abilities unparalleled within the industry. Ron Halisky, General Manager of Tri-Ener-Tech, brings more

than 20 years' experience in oil production assessment and technology and contributes significant credibility to the Company's profile.

In 1995, our strategy will be to apply our telecommunications engineering expertise to the development of products demanded by our customers. Within the oil production technology industry, we intend to develop new sophisticated technology and customer financing arrangements to realize the significant potential in this area. As well, Circa will be seeking the listing of its shares on a major North American securities exchange.



Building Entrance Terminal

Circa's profile since its inception has been one of steady growth. We understand and share the frustration of our many long term shareholders over Circa's share price history. With the exciting opportunities in the telecommunication and oil production technology industries, management is determined to advance Circa into a new phase of growth and profitability.

As part of this new phase, Circa is pleased to announce that Allan Fowler joined Circa on April 1, 1995 as Vice-President Finance. Allan is a Chartered Accountant with an entrepreneurial background which includes extensive experience in business valuation, corporate strategy and structuring. He will play a major role in developing and implementing Circa's vision, strategies and corporate acquisitions.

Circa is considering changes to the Board of Directors in anticipation of its evolving needs and priorities.

Yours truly,

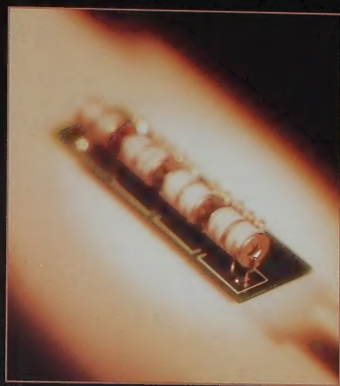
A handwritten signature in black ink, reading "Ivan W. Smith".

Ivan W. Smith

President and Chief Executive Officer, Circa Enterprises Inc.



Station Protector.



Repeater Gas Tube Protection Board.

PRICE RANGES OF COMMON SHARES

	Year Ended December 31 1994		Year Ended December 31 1993	
	High	Low	High	Low
QUARTER 1st	\$0.46	\$0.35	\$0.45	\$0.32
2nd	0.76	0.35	0.60	0.35
3rd	0.85	0.55	0.49	0.30
4th	0.83	0.55	0.49	0.31
Volume of Shares Traded	4,132,024 shares		1,545,150 shares	

Circa Enterprises Inc. operates as three companies in two separate industry segments. Circa Enterprises Inc. (operating as Circa Telecom Canada) and Circa Telecom U.S.A. Inc. provide surge protection and related equipment to the telecommunication industry in Canada and United States respectively. Tri-Ener-Tech Petroleum Services Ltd. provides oil production technology and maximization services for western Canadian oil producers.

TELECOM

Circa Telecom Canada

Circa Telecom Canada manufactures and distributes copper based surge protection and related devices for the telecommunication industry within Canada. Its primary customers are the major telephone companies (telcos) except Bell Canada. The company currently possesses approximately 50% of the Canadian market in its product lines. Given this dominant position, the prospect for exceptional growth with the current product lines in Canada is limited. While Circa's products are viewed as state-of-the-art, its range of products is not as technology intensive as other echelons of the telecommunication industry. This product niche offers Circa the potential to achieve significant net earnings without the necessity of onerous expenditures on research and development.

Circa Telecom Canada enjoys an excellent reputation with the major telcos and is therefore in an ideal position to withstand new competition. The telcos are currently adopting a strategy of limiting the number of suppliers, referring to their supplier relationships as "partnering". Therefore, new competitors in Canada are faced with significant barriers to entry. This dominant position has been gained through Circa Telecom Canada's high reputation for state-of-the-art quality, market responsiveness, expertise and pricing policies.

Circa Telecom Canada's current line of surge protection products is specifically for application with copper wire cable, which has been the recognized medium for voice and data transmission for many years. Demand for these products is largely driven by the installation of new phone lines required by the commercial and residential construction industries.

By development of new products, Circa has the potential to significantly increase sales to its current customers. With its engineering talent, it has the ability to evolve new products from its existing product line within short time periods and with the use of little capital. Furthermore, the

existing plant facility can be adapted for production of new products and has the capacity to double its current output.

Circa Telecom U.S.A. Inc.

Circa Telecom U.S.A. acts primarily as a distributor of Circa Telecom Canada's products and externally sourced products throughout the United States. The company also manufactures a line

of "repeaters" which amplify telecommunication signals.

Circa Telecom U.S.A. has developed significant expertise in the sourcing and resale of "surplus" telecommunication equipment. Due to regional inequities in the pace of deployment of new technologies within the telecommunication industry, surplus equipment sales has been a growth area for the company. These surplus products complement Circa Telecom Canada's manufactured products, thereby offering a full range of competitively priced surge protection solutions.

At present, Circa Telecom U.S.A. sells primarily to major distributors across the United States and to a lesser extent some U.S. telcos. Distributors in the United States tend to place less emphasis on supplier allegiances, instead purchasing on the basis of price, expertise and performance. Accordingly, barriers to entry are not as onerous as those in Canada. However, the larger telcos or "baby bells", which were formed subsequent to the legislated break up of AT & T, tend to have well defined supplier policies which must be navigated by prospective suppliers.

Circa Telecom U.S.A.'s penetration into the major telco market has been hindered by the narrow product range offered by Circa Telecom Canada; however,

expansion of this range in the near future will provide the company with the ability to compete in this massive marketplace. The management of Circa Telecom U.S.A. strongly believes that significant potential lies ahead by capturing larger market share with this expanded product line.

Telecommunication Infrastructure Marketplace

Copper wire infrastructure for the telecommunication industry continues to be a massive, consistent market in North America. Major competitors in this market include AT & T, Reliance, 3M, and Porta. Within its product range, Circa can exceed these competitors in terms of



*Dale Olmstead, Production Manager
Gordon McPhedran, Vice-President Sales
Jack Barbier, Engineering & Sales Support*

flexibility and delivery times. Accordingly, we believe Circa Telecom U.S.A. has the potential to significantly increase sales with an expanded copper wire based product line within the United States. Due to the strength of Circa Telecom Canada's supplier relationships with the Canadian telcos, it is in an ideal position to offer an expanded product range to these customers.

Information Highway

The real excitement in the telecommunication marketplace is emanating from the development of the "information highway." The structure, benefits and costs of this highway are currently the subject of intense debate and huge capital deployment. Industry leaders currently envision the highway as a merging of television and computer technologies to create an interactive medium for consumers. This medium might provide consumers with a whole new range of information and interactive capacities such as in-home ordering of entertainment programming, remote banking and shopping and in-home access to data bases. However, the vision of such a system has created a number of unanswered questions such as:

- What services will the consumer be willing to pay for?
- Who will deliver these services – the telcos? – the cable companies?
- What infrastructure must be developed to meet its data requirements?

The potential mediums for the highway's data transmission include fibre optic cable, a hybrid of fibre optic cable and coaxial cable, wireless transmission and satellite transmission.

Wireless

Another entirely different area of tremendous demand is wireless communication. Growth in wireless communication has been exceptional and is anticipated to remain so for the foreseeable future. This demand is not only anticipated for the developed countries, but especially so for developing nations where the cost of building traditional telephone infrastructures exceeds the cost of wireless transmission.

Trends in Telecom

Despite all this technological change and lack of direction, trends are beginning to crystallize which shall guide the development of telecommunications for the foreseeable future:

1. Despite its high cost, fibre optic cable possesses the optimum data capacity and integrity for development of the information highway.
2. Improvements in and lower cost of coaxial and copper cable are providing support for the use of a hybrid infrastructure which would combine these with fibre optic cable.
3. Despite ambiguity over the optimum infrastructure, major telcos are proceeding with the deployment of fibre optic and hybrid systems.
4. The current and future market prospects for wireless communication are immense.

New Dimensions for Growth – The Circa Strategy

Within the context of Circa's current telecom business and all the potentials and risks associated with emerging telecommunication technology, Circa has begun implementation of a new aggressive vision:

1. Centralize the sale of Circa products to the United States market through Circa Telecom U.S.A. in Florida.
2. Expand Circa's product range, enabling it to compete in the U.S. major telco market and increase sales to its current Canadian telco customers.
3. Refocus and enhance engineering capacity to increase the rate of new product development and to ensure that new products are market driven.
4. Focus new product development upon evolution of existing product lines, complementary low-tech products and, later, more sophisticated technologies. Anticipated areas of increased technological sophistication include fibre optics and wireless communications.
5. Expand telecom sales forces in the U.S. and Canada.
6. Prudently allocate capital to product development.
7. Consider acquisitions which would expand product lines and U.S. market presence.
8. Merge Circa Telecom Canada and Tri-Ener-Tech engineering and manufacturing capabilities.
9. Build upon Circa's competitive advantage of manufacturing in Canadian currency for the U.S. marketplace.



Residential Protection Terminal.

Tri-Ener-Tech Petroleum Services Ltd.

Over the course of Tri-Ener-Tech's 26 year history, it has gained an unparalleled reputation within the Western Canadian oil patch for the quality of its oil well assessment and optimization services.

The rationale for Circa's acquisition of Tri-Ener-Tech was:

1. Potential for engineering, technology, product development, manufacturing and administrative synergies.
2. Market strength based upon technological superiority and quality of personnel.
3. High net earnings and cash flow relative to capital deployed.

Tri-Ener-Tech's two principal sources of revenue are oil production optimization and oil production automation technology. Demand for oil production optimization services is driven by the petroleum industry's desire for maximum oil production and by regulatory requirements of the Energy Resources Conservation Board. These optimization services generally involve various testing procedures performed by field personnel on producing oil wells with the objective of identifying production problems or recommending enhanced production methods.

Oil production automation technology encompasses two main products which are designed to automate the monitoring, control and analysis of producing oil wells. Both are industry leaders and have the potential to dramatically increase Tri-Ener-Tech's sales.

The first is a system of remote production monitoring and control. Known as a "controller," the product is a unique combination of computer hardware/software technology, sensing devices, communication software and oil well production expertise. The system enables the producer to monitor and control critical attributes of producing oil wells from a computer located within head office. The system provides a host of benefits, including:

1. Precise monitoring and control of production.
2. Reduction of field manpower costs.
3. Increases in oil production.
4. Reduction of pumping equipment failure.
5. Potential availability of electrical power credits.
6. Enhanced environmental protection.

As automation is a new technology, Tri-Ener-Tech is taking steps to educate the industry on the technology's capabilities and benefits. Tri-Ener-Tech management believes the market for this

product is in its infancy. Since 1992, Tri-Ener-Tech has installed over 300 controllers.

The second automation product pioneered by Tri-Ener-Tech is the digital "fluid level" recorder. By utilizing a combination of computer hardware/software technologies and advanced well testing methods, it provides the capability to automatically perform fluid level well tests. This new product will place Tri-Ener-Tech at the forefront of the marketplace and will offer significant sales potential.



*Ron Halisky, Vice President & General Manager
Gerry Dyck, Software & Systems Engineer
Ted O'Donnell, Sales Manager*

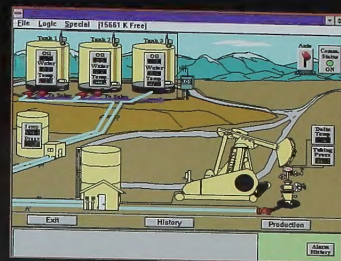
New Dimensions for Growth—

The Tri-Ener-Tech Strategy

Tri-Ener-Tech's advantages include its unparalleled reputation and oil well technology expertise. It intends to build upon these strengths in moving forward with its strategy for growth:

1. Expand its sales force.
2. Create and implement industry-leading technologies so as to increase Tri-Ener-Tech's competitive advantage.
3. Assess and implement unique financial packages to assist sales of automation products.
4. Increase the oil industry's awareness of oil well assessment, optimization and automation.
5. Promote optimization and automation products as an integrated solution.
6. Increase foreign distributor contacts.





Live oil production automation control screen.

Overview

The eight month period ended December 31, 1994 was marked by significant change and growth for Circa. To facilitate corporate comparability and investors' understanding of Circa, the Board of Directors resolved to change its year end from April 30 to December 31. Therefore, the consolidated statements of earnings and changes in financial position are for the eight months ended December 31, 1994. As Circa acquired Tri-Ener-Tech Petroleum Services Ltd. (Tri-Ener-Tech) effective June 30, 1994, these consolidated financial statements include its results from operations for the six months ended December 31, 1994.

Operating revenue and net earnings increased dramatically over the prior year. These increases were attributable primarily to the inclusion of post-acquisition revenue and net earnings of Tri-Ener-Tech and, to a lesser extent, increases in Circa's telecommunication segment.

Circa participates in the telecom business through its design, manufacture and sale of surge protection equipment. This equipment is designed for use in copper wire systems; a conventional communication medium which will increasingly be displaced by alternate technology over the next 20 years. The telecom industry in general will experience extensive technological change and growth as we approach the millennium. The "information highway" will use a range of communication delivery systems including fibre optic cable, wireless (cellular), satellite and copper wire (the present infrastructure). The industry is confronted with balancing the capabilities of each with their cost of implementation. Within this context, Circa continues to deliver products which offer the greatest likelihood of immediate marketability while not losing sight of the opportunities presented by technological change.

During the recently completed fiscal period, demand for Circa's current product lines increased due to growth in telecom infrastructure development associated with commercial and residential construction. Sales were also enhanced by the recapture of a major supply contract with BC Tel.

Tri-Ener-Tech enjoyed a very successful six months due to the profitability of its oil production optimization services and products. Well automation profitability was limited by relatively high marketing and customer support costs. Although greater than the prior year, oilfield automation sales were below expectation due to the significant sales effort required to educate potential purchasers on the technology's capabilities and benefits.

Consolidated Financial Results

Sales of \$8,374,399 for the eight month period exceeded those of the prior full year by 38%.

Consolidated Net Earnings for the eight months of \$572,964 (\$0.07/share) exceeded net earnings of \$325,129 (\$0.05/share) for the prior full year by 76%. This growth was attributable to the inclusion of Tri-Ener-Tech's post-acquisition earnings and, to a lesser extent, higher revenues and improved gross profit margin in Circa Telecom Canada.

The overall gross profit margin increased from 23.4% in the year ended April 30, 1994 to 30.3% for the current period. This increase was due to Tri-Ener-Tech's higher operating margins, favourable foreign exchange rates and Circa's Canadian manufacturing economies of scale. Circa Telecom U.S.A. operations experienced declining profit margins due to higher cost of externally sourced product.

Circa Telecom Canada

The majority of revenues were derived from the sale of surge protection and related equipment for the telecommunication industry. Major customers included most of the Canadian telcos except Bell Canada. This segment's gross revenue and operating net earnings before income tax for the current period and the prior year ended April 30, 1994 are as follows:

	Eight months Ended December 31, 1994	Year Ended April 30, 1994
Revenue	\$2,100,524	\$1,761,320
Operating Net Earnings Before Income Tax	333,076	111,190

Revenue for the eight months ended December 31, 1994 was 19.3% higher than that of the entire year ended April 30, 1994.

Operating income before income tax for the eight month period was triple that of the full year ended April 30, 1994 due primarily to higher revenues and an increase in gross profit margin to 24.5% from 20.0% the prior year. This increase was a result of manufacturing economies of scale realized due to higher volumes and increased production efficiencies. Administrative, selling and engineering costs increased during the period generally due to these higher sales volumes.

Consistent with prior years, Circa Telecom Canada's revenue fluctuated seasonally, with the largest volumes occurring in the summer and fall.



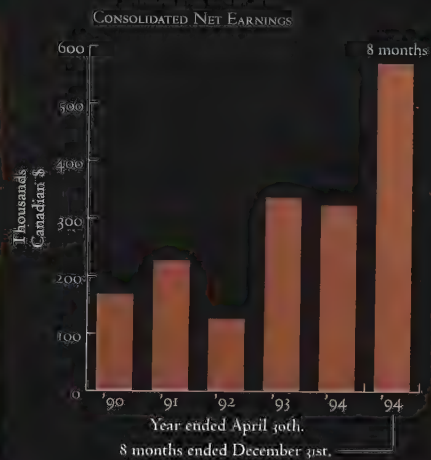
Allan M. Fowler, C.A.
Vice-President Finance



Solid State Protection Module.



Building Entrance Terminal.



Circa Telecom U.S.A.

Circa Telecom U.S.A. is a distributor of Circa surge protection products and other related out-sourced products to large distributors and telcos across the United States. The division has developed an expertise in sourcing and placing telecom "surplus" stock. While there is a growing market for such product, supply competition is increasing the cost of sourced surplus stock. Accordingly, the division experienced decreased profit margins of 18.8% for the current period, as compared to 22.6% for the prior year. As well, the division was hindered in its marketing efforts by the relatively narrow product line manufactured by Circa Telecom Canada. Due to these factors, Circa Telecom U.S.A. grew at a lesser rate than in prior years.

	Eight months Ended December 31, 1994	Year Ended April 30, 1994
Revenue	\$3,333,896	\$4,314,350
Operating Net Earnings Before Income Tax	244,877	417,612

Tri-Ener-Tech Petroleum Services Ltd.

For the full year ended December 31, 1994, oil production optimization services (as portrayed in "the Business" section) represented 56.3% of total revenue. Demand in 1994 for these services exceeded the prior year due to positive conditions within the industry and increasing industry awareness of their value.

Oil production automation and digitization represented 43.7% of Tri-Ener-Tech revenues in 1994 compared to 39.9% in the prior year. Sales of this equipment were to larger western Canadian producers which have the resources and technical ability to assess and justify use of this technology. Sales lead times tended to be long as significant sales effort was required to educate potential purchasers on the operation and benefits of the technology. Accordingly, while sales revenue from this technology exceeded that of the prior year, it was below expectations.

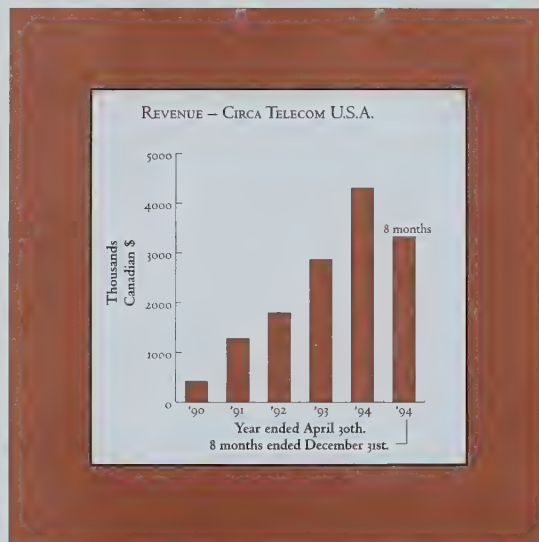
	Six months ended December 31, 1994	Year ended December 31, 1994	Year ended December 31, 1993
Revenue	\$2,939,979	\$4,634,605	\$3,907,401
Operating Net Earnings Before Income Tax	459,697	507,523	364,259

Liquidity and Capital Resources

The consolidated balance sheet of Circa Enterprises Inc. continues to be excellent. Working capital increased by \$406,985 during the period to \$2,028,589. Cash flow from operations during the period was \$726,018 as compared to \$442,105 for the prior full year. The current ratio as at the year end was 2.21. The ratio of long term debt to equity was 5%. As Circa is clearly underleveraged, management is of the opinion that it has the financial capacity to support a new phase of expansion. However, future major product development programs or acquisitions may necessitate the company seeking additional capital.

On June 30, 1994, Circa acquired Tri-Ener-Tech Petroleum Services Ltd. for total consideration of \$1,129,794, payment of which comprised of cash of \$379,794 and the issuance of 1,500,000 common shares of Circa at \$0.50 per share.

During the period, Circa repurchased for cancellation, pursuant to a normal course issuer bid, 180,500 common shares at an average price of \$0.46 per share for total cash consideration of \$83,570. The Board of Directors approved the repurchase of up to 5% of the outstanding common shares of Circa in 1995. These repurchases are a prudent application of corporate capital due to the low trading range of the company's shares and the increase in share value they bring to the remaining shareholders.



SELECTED FINANCIAL INFORMATION

In thousands of Canadian Dollars, except per share figures.

	8 Months Ended December 31	Year Ended April 30				
	1994	1994	1993	1992	1991	1990
Revenue						
Telecom	\$ 5,434	\$ 6,076	\$ 5,870	\$ 4,178	\$ 4,380	\$ 2,939
Oil Production						
Technology	2,940	—	—	—	—	—
	\$ 8,374	\$ 6,076	\$ 5,870	\$ 4,178	\$ 4,380	\$ 2,939
Gross Profit	\$ 2,537	\$ 1,423	\$ 1,450	\$ 898	\$ 946	\$ 720
Administrative						
Expense	1,377	816	849	676	646	488
Net Earnings	573	325	338	126	227	168
Cash Flow from Operations	726	442	523	224	309	203
Gross Profit as						
% of Revenue	30.30%	23.42%	24.70%	22.00%	22.00%	24.00%
Net Earnings as						
% of Revenue	6.84%	5.35%	5.76%	3.02%	5.18%	5.72%
Fully Diluted Earnings						
per Share	\$ 0.07	\$ 0.05	\$ 0.05	\$ 0.02	\$ 0.03	\$ 0.02
Net Book Value per Share	\$ 0.40	\$ 0.30	\$ 0.25	\$ 0.20	\$ 0.19	\$ 0.15
Shares Outstanding						
at Year-end	8,390,650	7,071,150	7,139,900	7,139,900	7,139,900	7,069,900
Working Capital	\$ 2,029	\$ 1,622	\$ 1,277	\$ 1,017	\$ 987	\$ 860
Current Ratio	2.21	3.83	2.58	3.04	3.24	2.81
Capital Assets	854	531	574	315	273	220
Total Assets	\$ 5,224	\$ 2,856	\$ 2,805	\$ 1,998	\$ 1,832	\$ 1,607

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The management of Circa Enterprises Inc. is responsible for the preparation and presentation of the accompanying consolidated financial statements and all information in the Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position and operating results of the Company.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are appropriately authorized and recorded, that assets are safeguarded, and that financial records are properly maintained to provide accurate and reliable financial statements.

The Company's audit committee is comprised solely of non-management directors and is appointed by the Board of Directors annually. The committee meets periodically with the Company's management and independent auditors to review financial reporting matters and internal controls and to review the consolidated financial statements and the independent auditor's report. The audit committee reported its findings to the Board of Directors who have approved the consolidated financial statements.

The Company's independent auditors Deloitte & Touche, have examined the consolidated financial statements and their report follows.



Ivan W. Smith
President and Chief Executive Officer



John Richels
Director

We have audited the consolidated balance sheet of Circa Enterprises Inc. (formerly Circa Telecommunications Inc.) as at December 31, 1994 and the consolidated statements of earnings and retained earnings and changes in financial position for the eight month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Calgary, Alberta
March 10, 1995

CONSOLIDATED STATEMENT OF EARNINGS & RETAINED EARNINGS

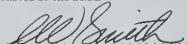

For The Period Ended December 31, 1994

	December 31 1994 (8 months)	April 30 1994 (12 months)
Sales	\$ 8,374,399	\$ 6,075,670
Cost of sales	5,837,183	4,652,197
	<u>2,537,216</u>	<u>1,423,473</u>
Expenses		
General and administrative	1,376,583	816,257
Interest on long-term debt	9,204	10,506
Interest - other	38,357	38,927
Depreciation and amortization	122,983	78,414
	<u>1,547,127</u>	<u>944,104</u>
Earnings before income taxes	990,089	479,369
Income taxes		
Current	423,507	175,109
Deferred (reduction)	(6,382)	(20,869)
	<u>417,125</u>	<u>154,240</u>
NET EARNINGS	572,964	325,129
Retained earnings, beginning of period	979,274	692,465
Excess consideration on repurchase of common shares (Note 8)	(41,442)	(38,320)
Retained earnings, end of period	<u>\$ 1,510,796</u>	<u>\$ 979,274</u>
Earnings per common share (Note 10)	<u>\$ 0.07</u>	<u>\$ 0.05</u>

CONSOLIDATED BALANCE SHEET

	December 31, 1994	April 30, 1994
Assets		
Current		
Cash	\$ 373,332	\$ 12,551
Accounts receivable	1,758,500	917,477
Inventory	1,527,393	1,221,710
Prepaid expenses	24,895	23,158
Deferred income taxes	24,117	19,869
	<u>3,708,237</u>	<u>2,194,765</u>
Capital assets (Note 4)	854,315	531,264
Intangible assets (Note 5)	<u>661,332</u>	<u>130,050</u>
	<u>\$ 5,223,884</u>	<u>\$ 2,856,079</u>
Liabilities		
Current		
Bank indebtedness	\$ 296,708	\$ —
Accounts payable and accrued liabilities	1,054,167	451,790
Income taxes payable	323,162	113,082
Current portion of long-term debt	<u>5,611</u>	<u>8,289</u>
	1,679,648	573,161
Long-term debt (Note 7)	166,598	142,540
Deferred income taxes	<u>49,866</u>	<u>52,000</u>
	<u>1,896,112</u>	<u>767,701</u>
Shareholders' Equity		
Share capital (Note 8)	1,816,976	1,109,104
Retained earnings	<u>1,510,796</u>	<u>979,274</u>
	3,327,772	2,088,378
	<u>\$ 5,223,884</u>	<u>\$ 2,856,079</u>

APPROVED BY THE BOARD

 Director
  Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	December 31, 1994 (8 months)	April 30, 1994 (12 months)
For The Period Ended December 31, 1994		
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	\$ 572,964	\$ 325,129
Items not affecting cash		
Depreciation and amortization	159,436	137,845
Deferred income taxes	<u>(6,382)</u>	<u>(20,869)</u>
	726,018	442,105
Changes in non-cash operating working capital items	<u>401,330</u>	<u>(21,490)</u>
	1,127,348	420,615
Financing		
Issuance of shares	750,000	24,233
Repurchase of shares	(83,570)	(62,950)
Increase in long-term debt	24,474	—
Principal repayments on long-term debt	<u>(315,096)</u>	<u>(50,672)</u>
	375,808	(89,389)
Investing		
Net non-cash assets acquired on acquisition of subsidiary	(1,345,206)	—
Purchase of capital assets	(181,854)	(45,225)
Addition to patents and product certification costs	(16,568)	(28,667)
Proceeds on sale of investment	<u>104,545</u>	<u>—</u>
	(1,439,083)	(73,892)
NET CASH INFLOW	64,073	257,334
Cash position, beginning of period	12,551	(244,783)
Cash position, end of period	<u>\$ 76,624</u>	<u>\$ 12,551</u>
Represented by:		
Cash	373,332	12,551
Bank indebtedness	<u>(296,708)</u>	<u>—</u>
	<u>\$ 76,624</u>	<u>\$ 12,551</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

The Company commenced operations in October 1985 and is registered under the Business Corporations Act in the Province of Alberta. The Company's principal business activities include:

- Development, manufacture and distribution of technical products for the telecommunication industry within Canada and the United States.
- Development, manufacture and provision of technical automation and optimization products and services for the oil production industry in western Canada.

Pursuant to Board resolution, the Company's fiscal year end was changed from April 30 to December 31, commencing in 1994.

During the fiscal period, the shareholders resolved to change the name of the Company from CIRCA Telecommunications Inc. to CIRCA Enterprises Inc.

2. ACQUISITION OF TRI-ENER-TECH PETROLEUM SERVICES LTD.

The Company acquired 100% of the issued and outstanding shares of Tri-Ener-Tech Petroleum Services Ltd. on June 30, 1994. Accordingly, these financial statements include its operating results for the six months ended December 31, 1994. The acquisition has been accounted for using the purchase method. Under this method, the purchase price has been allocated firstly to the market value of the acquired identifiable assets, with the residual being assigned to goodwill. A summary of the assigned asset values, liabilities assumed and total consideration paid is as follows:

Assets acquired

Working capital	\$ 737,715	
Capital assets	237,838	
Investment and other	120,045	
Goodwill	<u>561,610</u>	\$ 1,657,208

Liabilities assumed

Bank indebtedness	\$ 215,412	
Long-term debt	<u>312,002</u>	<u>527,414</u>

Share purchase price \$ 1,129,794

Share purchase consideration comprised of:

Cash	\$ 379,794
Issuance of 1,500,000 common shares of the Company at \$0.50 per share	<u>750,000</u>
	<u>\$ 1,129,794</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of Circa Enterprises Inc. and its wholly owned subsidiaries Circa Telecom U.S.A. Inc., Tri-Ener-Tech Petroleum Services Ltd. and T.E.T. Holdings Ltd.

Foreign currency translation

All monetary assets and liabilities denominated in U.S. currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets and liabilities are translated at historic exchange rates. Revenue and expense items, excluding depreciation and amortization, are translated at the average rate of exchange for the year. Depreciation and amortization are translated at the same rates as the related assets.

Inventory

Inventory is valued as follows:

- Raw materials — lower of average cost and replacement cost
- Finished goods — lower of average cost and net realizable value

Capital and intangible assets

Capital and intangible assets are stated at cost. Depreciation and amortization of these assets has been calculated on the basis and rates indicated below:

	Basis	Rate
Building	Straight line	Over 31.5 years
Equipment	Declining balance	20%
Leasehold improvements	Straight line	Over 5 years
Patents	Straight line	Over 17 years
Product certification costs	Straight line	Over 5 years
Goodwill	Straight line	Over 10 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. CAPITAL ASSETS

	Cost	Accumulated Depreciation and Amortization	Net Book Value	
			December 31, 1994	April 30, 1994
Land	\$ 59,545	\$ —	\$ 59,545	\$ 59,545
Building	127,051	8,994	118,057	120,735
Production equipment	601,231	321,304	279,927	265,387
Office equipment	452,604	226,045	226,559	65,944
Oil production equipment	508,910	355,008	153,902	—
Leasehold improvements	30,102	13,777	16,325	19,653
	<u>\$ 1,779,443</u>	<u>\$ 925,128</u>	<u>\$ 854,315</u>	<u>\$ 531,264</u>

Depreciation in the amount of \$36,453 (April 30, 1994 = \$59,431) is included in cost of sales.

5. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			December 31, 1994	April 30, 1994
Patents	\$ 34,700	\$ 7,322	\$ 27,378	\$ 27,698
Product certification costs	275,954	175,560	100,394	102,352
Goodwill	561,610	28,050	533,560	—
	<u>\$ 872,264</u>	<u>\$ 210,932</u>	<u>\$ 661,332</u>	<u>\$ 130,050</u>

Amortization of intangible assets for the period amounted to \$62,397 (April 30, 1994 = \$50,230).

6. BANK INDEBTEDNESS

Revolving line of credit secured by an assignment of accounts receivable, inventory, land and building.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. LONG-TERM DEBT

	December 31, 1994	April 30, 1994
Mortgage payable in monthly blended payments of \$1,302 with interest at 9.45%, maturing July 1, 1999, supported by all assets of Circa Telecom U.S.A. Inc. (U.S. \$123,211; April 30, 1994 = U.S. \$109,178)	\$ 172,209	\$ 150,829
Less current portion of long-term debt	5,611	8,289
	<u>\$ 166,598</u>	<u>\$ 142,540</u>

Principal repayments required in each of the next five fiscal years are as follows:

1995	\$ 5,611
1996	\$ 6,141
1997	\$ 6,722
1998	\$ 7,357
1999	\$ 4,026

8. SHARE CAPITAL

	December 31, 1994	April 30, 1994
Authorized		
Unlimited number of first preferred shares		
Unlimited number of second preferred shares		
Unlimited number of common shares		
Issued 8,390,650 common shares		
(April 30, 1994 = 7,071,150)	<u>\$ 1,816,976</u>	<u>\$ 1,109,104</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. SHARE CAPITAL (CONTINUED)

During the period from May 1, 1994 to December 31, 1994, the following common shares were issued or repurchased:

	Number of Shares	Amount
Balance, April 30, 1994	7,071,150	\$ 1,109,104
Repurchased for cash consideration of \$83,570	(180,500)	(42,128)
Issued on acquisition of Tri-Ener-Tech Petroleum Services Ltd. (Note 2)	1,500,000	750,000
	<u>8,390,650</u>	<u>\$ 1,816,976</u>

Under the Company's stock option plan for directors, officers and employees, options to purchase 679,500 common shares were outstanding as at December 31, 1994. The outstanding options are exercisable from \$.27 to \$.70 per share expiring between November 25, 1997 and September 1, 1999.

9. INCOME TAXES

The effective income tax rate of the Company varies from the basic income tax rate as follows:

	December 31, 1994	April 30, 1994
Expected income taxes	44%	44%
Manufacturing and processing deduction	(2%)	(2%)
Rate differential of U.S. federal and state income tax on earnings of wholly owned subsidiary	(2%)	(10%)
	<u>40%</u>	<u>32%</u>

10. EARNINGS PER SHARE

Basic earnings per share has been calculated using the weighted average number of common shares outstanding during the year. Had the shares under option, referred to in Note 8, been exercised at December 31 or April 30, 1994, fully diluted earnings per share would not have been significantly different.

11. COMMITMENTS

Under operating leases for a building, the Company is committed through 1998 to payments in the amount of \$251,661. Annual payments required are as follows:

1995	\$ 91,339
1996	\$ 95,171
1997	\$ 65,151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. SEGMENTED INFORMATION

As described in Note 1, the Company operates in two industry segments. The Company's operations by geographic area and industry segment are as follows:

	For the Eight Months Ended December 31, 1994			Industry	
	Geographic			Technology	Telecom
	Canada	U.S.	Total		
Sales to external customers	\$ 5,040,503	\$ 3,333,896	\$ 8,374,399	\$ 2,939,979	\$ 5,434,420
Intersegment sales	747,220	41,637		—	788,857
	<u>5,787,723</u>	<u>3,375,533</u>		<u>2,939,979</u>	<u>6,223,277</u>
Depreciation and amortization			159,436	67,396	92,040
Segment operating profit	<u>792,773</u>	<u>244,877</u>	1,037,650	<u>459,697</u>	<u>577,953</u>
Interest on long-term debt			9,204		
Interest — other			38,357		
Income tax expense			417,125		
NET EARNINGS			<u>\$ 572,964</u>		

Identifiable assets	3,728,553	1,495,331	5,223,884	2,027,232	3,196,652
Capital expenditures			181,854	100,661	81,193

Canadian operations include export sales of \$446,811 to third parties in the United States.

Intersegment sales are accounted for at prices which approximate market.

	For the Year Ended April 30, 1994		
	Canada	U.S.	Consolidated
Sales to external customers	\$ 1,761,320	\$ 4,314,350	\$ 6,075,670
Intersegment sales	989,046	60,931	
	<u>\$ 2,750,366</u>	<u>\$ 4,375,281</u>	
Segment operating profit	<u>111,190</u>	<u>417,612</u>	528,802
Interest on long-term debt			10,506
Interest — other			38,927
Income tax expense			154,240
NET EARNINGS			<u>\$ 325,129</u>
Identifiable assets	<u>\$ 1,345,179</u>	<u>\$ 1,510,900</u>	<u>\$ 2,856,079</u>

Canadian operations include export sales of \$431,759 to third parties in the United States.

Intersegment sales are accounted for at prices which approximate market.

Head Office

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Telephone: (403) 571-6500

Wholly-owned

Subsidiaries

Circa Telecom U.S.A. Inc.

9835 Denton Avenue
Hudson, Florida
U.S.A. 34667

**Tri-Ener-Tech Petroleum
Services Ltd.**

#800, 555 – 4 Avenue S.W.
P.O. Box 1100
Calgary, Alberta
T2P 3E7

Annual Meeting

June 15, 1995
12:00 p.m., Thursday,
Westin Hotel,
320 – 4th Avenue S.W.
Calgary, Alberta

Auditors

Deloitte & Touche
Chartered Accountants
Calgary, Alberta

Bankers

Royal Bank of Canada
Calgary, Alberta

Officers

CIRCA ENTERPRISES INC.

Ivan W. Smith
President, C.E.O. &
Chairman of the Board

Allan M. Fowler, C.A.
Vice-President Finance

M. Diana Cameron, C.A.
Controller

John Richels
Secretary

CIRCA TELECOM U.S.A. INC.

Ernest A. Pagnozzi
Vice President & General Manager

TRI-ENER-TECH PETROLEUM

SERVICES LTD.

Ron Halisky
Vice President & General Manager

Directors

Ivan W. Smith
Chairman

John Richels*

John A. Torode*

R. Scott McCreath*

Clint Stewart*

*Audit Committee Member

Transfer Agent

Montreal Trust Company of Canada
Calgary, Alberta

Stock Exchange Listing

The Alberta Stock Exchange
Symbol: CTO

Circa invites inquiry and feedback from its shareholders on issues such as acquisition prospects, business opportunities and corporate reporting.

Shareholders and other interested parties are invited to provide Circa with their addresses for inclusion on our information mailing list.



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